1432

AIR MAIL

Habana, January 27, 1941

Confidential

Dear Sumner:

I have just received your note of January 24, stating that since I left Washington you have been endeavoring to obtain for the Cuban Government some of the training planes requested by Colonel Pedraza and that the War Department has now informed you that it is willing to divert from its own supply six Sterns primary training planes, the cost of which would be about $60,000, and of which delivery could be made immediately. I note that the War Department states that it is prevented by legal obstacles from declaring them surplus or obsolete material, and consequently it would be necessary for the Cuban authorities to take delivery of these planes directly from the manufacturers. You ask me to ascertain whether the Cuban Government has sufficient funds which might be utilized to pay the manufacturers, and if not you are prepared to ask the Export-Import Bank whether some arrangement could not be made to so assist the Cuban Government.

I am wondering whether when your letter of January 24 was written you had received my confidential air mail letter of January 21, with which I sent you a copy of my despatch No. 1441 of January 22, both covering the conversation which I had with Colonel Pedraza on my return on the planes requested by him. The offer of the Army to release these planes from the manufacturer directly to the Cuban Government on the payment of the cost by the Cuban Government to the manufacturer does not advance the matter any. An examination of the file will show that both the Army and Navy had indicated their willingness while I was in Washington to have certain planes released by the manufacturers to the Cuban Government, which of course involves the payment of the cost by the Cuban Government. I had told Colonel Ridgeway and Captain Spears that this would really not advance us any, as the Cuban Government did not have the funds with which

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The Honorable
Sumner Welles,
Under Secretary of State,
Washington, D. C.

to pay for the planes now. I also told them that the budget of the Army and Navy here was being reduced, as are the budgets of other agencies of the Cuban Government. I said that under the circumstances I doubted whether any arrangement which involved payment by the Cuban Government could be considered, and it was my understanding that they understood this situation.

They also raised the question as to getting money from the Export-Import Bank, and I told them that the Cuban Government was seeking money from us for agricultural diversification projects and public works, and that I doubted very much that under the existing circumstances and the difficult financial situation of the Cuban Government it would feel justified in buying training planes, even if funds were made available by the Export-Import Bank specifically for the purpose.

Colonel Ridgeway and Captain Spears showed such an understanding of the situation that I am somewhat surprised that with all the information I had given them the Army now makes this proposal. Colonel Ridgeway and Captain Spears had both indicated that they saw the planes would have to be made available in some other way than by purchase on the part of the Cuban Government, and they said that they hoped to find some way of doing this. They expressed great hope that the Lend-Lease Bill now before Congress would make it possible to supply the planes to the Cuban Government.

Before approaching Colonel Pedraza on the basis of your letter of January 24 under acknowledgment, I would like to have you consider my letter of January 21 and despatch No. 1441. The Cuban Government is in the process of reducing its budget. The budget of the Army will, I believe, be materially reduced. The major part of the cavalry has already been reduced to infantry to cut down cost. Other reductions in the cost of the Army are being made. As one of the things we have been asking the Cubans to do is to reduce the budget very materially, and as soon as this sugar arrangement is completed, I shall be under instructions to indicate to them the desirability of a very material reduction in the budget as a part of the preparation for further credits, I am wondering whether

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it would be advisable for us to make any suggestion, or to put forward any proposition with regard to training planes which involves a burden on the Cuban Treasury. They are limping along so far as current expenditures are concerned, and I think the Government would hesitate to buy planes, the cost of which would have to come out of current revenues. I would hesitate to take this up in this way, as I think it somewhat weakens the position we have taken with regard to expenditures.

So far as payment through aid from the Export-Import Bank is concerned, I have so far discouraged any thought of this here. The Cuban Government after this sugar arrangement is completed will wish to take up the question of credits for agricultural diversification and public works, and probably renew this request for $4,000,000 to help out in the budgetary situation. We have been trying to impress on them that whatever money they get from the Bank will have to be for constructive and productive purposes. They are reconciled to this idea. If we indicate that we are prepared to help them finance at this time a purchase of planes through the Export-Import Bank we may be opening ourselves up to further demands and weaken our position.

You will note from the enclosure to my despatch No.1441 that I told Colonel Pedraza that I hoped we would be able to supply these planes through the Lend-Lease Bill now before Congress. I told him that if the Bill was not amended we ought to be able to deliver these planes soon after the passage of the Bill on a lend-lease basis. I wonder whether we had not better leave it at this for the present. From my estimate of the situation I would rather leave it at this, rather than to approach them on any purchase proposition, even though we should find a way of financing through the Export-Import Bank. Much as Pedraza wants these planes, I think he would not want the Government to pay for them out of current revenues, and I do not believe he would want to have any arrangement through the Export-Import Bank specifically for the planes. He is taking a very sound and helpful attitude towards these budgetary and financial problems here now being considered by the Cuban Government. He would feel that he would be reversing his position and weakening it by asking the Government to take any action which involved purchase or payment of training planes.

If,

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If, therefore, the question of declaring any planes surplus or obsolete material is out of the question for the moment, I believe it would be preferable for us to leave the matter for the present as I did in my last conversation with Colonel Pedraza - i.e., that we wait to see whether the Lend-Lease Bill now before Congress will permit delivery. I shall not, therefore, until I hear from you further, take up the matter further with Colonel Pedraza for the Cuban Government.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith

GSM/mw